



Minutes of the Executive Committee –

Held on 12th April 2019

SDCT Website: www.cipfa.org/partners/society-of-district-council-treasurers

In Attendance: Jill Penn (President), Simone Hines (VP), Jo Wagstaffe (2nd VP), Angela George (Secretary), Steve Hearse, Ian Knowles, Jenny Poole, Mark Dickenson, Adrian Rowbotham, Paul Deal, Sal Khan, Simon Freeman, Homira Javadi

Also: Alex Skinner (MHCLG), Nicola Morton and Daniel Langdown (LGA), Lisa Quinn (Link), David Aldous (NAO), Guy Clifton (Grant Thornton), Tony Crawley (PSAA), Don Peebles and Joanne Pitt (CIPFA), Helen Martin (CPFA, for Benchmarking item)

- 1. Apologies:** Peter Stuart, Alan Peach, Simon Riley

Also: Sally Marshall (DCEN)

Goodbyes:

Jason Vaughan has tendered his resignation from the Executive as his authority is now a Unitary Council from 1st April 2019. Shelagh McGregor has also resigned as she will be leaving her authority shortly. The Executive passed on their thanks to both for their respective contributions to the work of the Executive.

- 2. Minutes of Previous Meetings and matters arising**

The minutes of the previous meeting of 8th March were agreed (*on the SDCT website*).

- 3. MHCLG Update**

Alex Skinner from MHCLG gave the meeting an update on local government finance. Following on from the Chancellor's recent announcement of a three year spending review starting before the summer recess and concluding alongside the autumn budget, providing there is a Brexit deal in the coming period, the meeting discussed the risks and opportunities for local government from the timeline. Members highlighted the importance of certainty to the sector given that councils will be setting budget over the summer. They also noted the role of the new homes bonus and business rates retention in encouraging development and supporting the delivery of public services. Members raised the risk from failing to agree a Brexit deal on the scope for a three year spending review and the implications of a shorter deal on the scope to deliver business rates reform and the fair funding review. Tier splits are an important part of the future financial framework and MHCLG would welcome an agreed proposal from the sector on the way forward. This issue would be discussed by the Executive further in Part B of the Agenda.

Members of the Executive discussed a number of issues around the uncertainty of the current position and the difficulty in setting out any meaningful Medium Term Financial Plans.

The supporting slides are attached. Alex agreed to provide a further update at a future meeting of the Executive as matters become clearer.

Nicola Morton reported that the LGA is continuing its work programme on the 2019 SR although is unable to publish documents during purdah. They plan to publish the results of the analysis on variation in unit costs in children's social care in May, and the format of this will be used for publishing similar analysis on other service areas. This includes services provided by districts.

The LGA and MHCLG are running a series of roundtables in advance of the 2019 SR to discuss issues relevant to local government. Unfortunately, MHCLG need to rearrange the one on place based services due to take place on 25 April although they may now hold two different roundtables to reflect the wide range of services covered by this.

Jill referred to the MHCLG Select Committee inquiry on Local Government Finance and she will circulate a draft SDCT response shortly. The deadline for submissions is 17th April.

4. Business Rates Retention and Fair Funding Update

Jill reported on the Steering Group meeting which had been held on Tuesday 9th April.

With regards to the FF Consultation there had been 340 responses. One of the key issues is the lack of any measure of deprivation.

The issue of the notional Council Tax was discussed – there is a paper on this on the MHCLG website.

With regards to the BRR consultation there had been 282 responses with most responders preferring phased resets.

Nicola Morton (LGA) added that the LGA are keen for the MHCLG / LGA technical working groups on the Fair Funding Review and System Design to reconvene as soon as possible to discuss issues such as the Area Costs Adjustment and alternative model in more detail. The LGA is pressing for exemplifications on proposals as soon as possible and not later than the summer.

5. CIPFA – Professional Update

Don Peebles from CIPFA attended to update the Executive on a number of CIPFA Initiatives:

- **Financial Management Code**

The draft Code is now out for consultation. A specific pro forma is available for completion but all comments on the Code are welcomed. The consultation closes on 30th April and is expected be approved in June with formal publication in September.

The Executive raised a number of queries including whether the issue of commercialisation was sufficiently addressed in the Code.

Action – Simon Riley to prepare the SDCT response to the Consultation

- **Commercialisation**

Borrowing guidance will be considered at the May meeting of the Treasury and Capital Management Panel. There will also be consultation with treasurers prior to publication. A separate issue has emerged on capital receipts in which some local authorities are utilising receipts as a proxy for MRP. Rob Whiteman CIPFA's CEO had previously written to treasurers reminding them that as CIPFA members' adherence to codes of practice is not discretionary.

The Executive representatives pointed out that the date of the T&CM Panel on 3rd May clashed with District Council Elections. **Postscript:** Don Peebles has advised that the date has subsequently been moved to 20th May.

In response to Rob Whiteman's letter to CFO's a specific issue was raised where code of practice guidance conflicts with legal advice obtained by an authority and the pressure this puts the CFO under. **Postscript:** A meeting with CIPFA will be arranged to discuss this issue further.

Action – Jill Penn

- **Ethics (+ Roundtable event)**

A complimentary event on ethics is being held in Mansell St on 24th June to which all treasurers are invited. This builds on the work of the Ethics Working Group which has ensured introduction of a new Code, revised guidance and a suite of case studies all of which are available on the CIPFA website. The next addition will be an animated video which should help treasurers to develop and promote ethics within their own organisations.

Action – Members of the Executive who wish to attend the Roundtable event on 24th June should notify Angela.

- **Streamlining Accounts**

The Local Authority Accounting Panel at its next meeting in May will receive a series of discussion papers which explore possible areas for 'streamlining'. The CIPFA/LASAAC Code Board will consider these proposals for inclusion in formal consultation during the summer of 2019 for possible inclusion the next version of the Code for 2020/21. It's likely that proposals for streamlining, including alteration to the Code can be implemented over a two year period.

6. **Audit Update**

6.1 PSAA (Tony Crawley)

Steve Hearse had attended the PSAA working group on 22nd March and Steve and Tony updated the Executive on a number of issues. Tony distributed some slides which are available on the website:

Cardiff Business School report

The report reviews PSAA's first appointing person audit procurement exercise, and it and the resulting action plan is on the PSAA website. The headline message is very positive, describing the procurement 'an outstanding example of 'sector led improvement'. CBS also made important observations, such as highlighting the challenge of maintaining audit supplier market sustainability. This concern echoes Sarah Howard's CIPFA Presidential address, which asks where the next generation of auditors are coming from. The report also captures the issues around key questions such as for whom is audit done? And what does audit quality mean in Local Government? Tony said that the CBS report would help shape PSAA's work for this contracting period.

Steve Hearse reported that overall it was a very good report on the process led by PSAA with many positive outcomes achieved. There are some lessons to be learnt from this initial process to take forward together with some questions for consideration about the audit process, which will be developed through continued dialogue, communication and consultation with the sector and the audit firms.

Current reviews of the audit profession

Tony summarised the current reviews, including the Competition and Markets Authority, Kingman and Brydon reviews. These reviews focus on the private sector, but are likely to have knock-on effects on local audit. The Kingman report did make some recommendations on local audit, although the BEIS response stated that it was conscious that the recent changes to oversight and procurement of local audit are still bedding in, and that it will be in any case reviewing their effectiveness once evidence is available. MHCLG is to report on its forthcoming review of the Local Audit and Accountability Act by April 2020.

Other PSAA matters

Tony confirmed that PSAA's restructuring was complete with a significant reduction in costs in response to its new role. The 2019/20 fee consultation was complete and thanks to members (and Ian Knowles in particular) for their input, which PSAA had responded to along with all others. All clients should receive a note from their auditors that summarises their method statements, which they submitted as part of their contract bids. These statements summarised how they would carry out the audits as well as their social impact. PSAA will send questionnaires to all clients in the autumn asking for their feedback on how the audits had been conducted.

PSAA's next Local Audit Quality Forum is on 10 June at the LGA's HQ in Smith Square, London. The theme will be practical help for Audit Committee Chairs, members and those that support them, recognising that there are likely to be many new members following the elections.

A number of questions from the Executive addressed issues such as Audit fees and quality. Tony acknowledged that moving the accounts closure deadline to 31st July had had a significant impact on the audit profession - following discussion (and agreement that a backward step in the deadlines would not be welcome), it was considered that streamlining the accounts may partially provide the answer (see item 5)

6.2 NAO (David Aldous)

David reported that the NAO is consulting on its work to develop a new Code of Audit Practice – to replace the current Code which needs to be revised by no later than April 2020 – in two stages:

1. an initial consultation on the issues which should shape work on a new Code which is running until 31 May 2019; and
2. consultation on the proposed revised text for the Code in the Autumn of 2019.

The issues paper supporting the first stage of the consultation is available at <https://www.nao.org.uk/code-audit-practice/about-code/>. This is an important consultation which will help to inform the future direction and focus of work by local auditors and so all District Councils are encouraged to respond – the deadline is 31 May 2019. The SDCT will also be responding on behalf of the sector – please send any thoughts to Ian Knowles who is co-ordinating the Society's response.

Steve Hearse reported that the PSAA meeting on 22nd March had spent some time reviewing the draft of the new code and had more detailed discussions around how to make things work in this new environment where arguably looking forward has become much more necessary than ever was before. There are clear challenges to the sector and the firms to be able to do this effectively with all the uncertainty surrounding Local Government Finance, but recognised that need to do something. The emerging CIPFA FM Code and Resilience

Index were discussed as to how they may or may not help with this, which remains to be seen as they develop.

Action - Ian Knowles to prepare the SDCT response to the Consultation.

7. Advisor Reports

7.1 VOA LA Advisory Forum 14/2/19

Steve Hearse had attended this meeting and updated the Executive on the key issues.

- LA Gateway - Most LAs now signed up, which has been helped by simpler data sharing agreements. Still aware of issues to resolve around communication channels and will report to next meeting. Working on developing tools for LAs to perform data analysis
- Revaluation 2021 - Work already started with plans to have a draft list available summer / autumn 2020 with reporting tools being developed.
- Appeals still progressing well on 2010 list and very low number nationally for the new Check Challenge Appeal (CCA) process for 2017 list

8. Reports from External Bodies / Sponsors

8.1 ALATS (Joanne Pitt)

Joanne reported that the main messages from ALATS (relevant to Districts and not already covered on the agenda) were:

- Introduction from Brian Roberts the new CIPFA Associate Director of Local Government
- The Resilience Index development is still on going through the summer
- Spending review discussion – lack of certainty. ALATS felt that there were some funding streams where more assurance could be provided even if the full picture was not known. Chair will seek a meeting with the Minister.
- LGPS governance – Hymans Robertson presentation on work they have been asked to carry out in this area during the summer. They will follow this up with individual societies

8.2 LGA (Nicola Morton)

Nicola reported:

- HMT has published a consultation on the exit cap for the public sector.
- The LGA has responded the HMT Inquiry on the impact of business rates on business and will be responding to the HCLG Inquiry on local government finance and the SR next week.
- Nicola referred to a PWLB circular from March about the Board potentially referring to MHCLG and HMT to ensure conformity of local applications.

8.3 Link (Lisa Quinn)

Lisa reported:

Financial Markets

- Market volatility continues, driven by Brexit and global economy considerations – 50-year PWLB rates pushed down as low as 2.16% - now bounced back a little – a lot of Councils took the opportunity to borrow in March to finance capital spend for the year and reduce some of their internal borrowing exposure;
- Volatility leading to uncertainty on investments and hence investment income – even the Governor of the BoE has said the next move in rates could be up, down or sideways.

Reserves

- TM discussions centre around huge uncertainties over funding positions post 2020, due to Business Rates, funding formula change, CSR review etc.
- Balance Sheet positions will become clear in next few weeks but expectation that reserve levels may well remain elevated and not drop as much as expected as Councils set savings / under-spends aside to cover uncertainty – mixed position as financial position looks better but huge uncertainty and no doubt grief from central government over lack of spend on reserve balances.

Wider Issues

- FM Code consultation response deadline 30th April – Link are currently working up a response;
- Concerns over traffic light element of CIPFA Resilience index and how this is interpreted / used;
- IFRS 9 and Impairment / Expected Credit Loss (ECL) considerations look like being the main issue for some at year end – ECL will be fine for most but long term debtors and investments may be a problem, if there are bad debt issues which have not been addressed historically;
- View on Investments placed with the Municipal Bond Agency – interested to know if anyone is going to impair their stake based on publicly available info in their accounts?
- Treatment around pooled investment funds and CCLA seems to have divided opinions, so may be some audit issues again;
- MHCLG has launched an inquiry into local government funding – it has asked for responses by 17 April 2019:
<https://www.parliament.uk/business/committees/committees-a-z/commons-select/housing-communities-and-local-government-committee/inquiries/parliament-2017/inquiry18/>
- The Institute of Fiscal Studies (IFS) has published a report on the options for expanding local taxation: <https://www.ifs.org.uk/publications/13991>

9. Any Other Business

- 9.1 It was noted that this would be Jill Penn's last meeting as President of the SDCT as she would be leaving Broadland at the end of May for a post at the Office of Police and Crime Commissioner Norfolk, and also to expand her coaching and mentoring practice. Simone will chair the next SDCT meeting on 7th June and the handover of the badge of office will formally take place at the lunch on 7th June. Joanne Wagstaffe will step up to Vice President and expressions of interest are currently being sought for the position of 2nd Vice President.

10. Date of Next Meeting – 7th June 2019, Grant Thornton Offices, Finsbury Square, London, followed by lunch at the Andaz Hotel, Liverpool Street.

11 Part B Items – Private Executive Issues

11.1 Private Discussion of Part A items

Mark fed back on discussions around Tier Splits. There was a further meeting with the County Council networks on 24th April to try to progress the issue.

11.2 Additional General Meeting for Members / CIPFA Conference Agenda

Angela reported that she had received 6 positive responses to the question of holding a further general meeting during the year for the wider District membership. It was agreed that this was not sufficient to justify the cost and effort of holding

another event. It was suggested that the low response may have been linked to the Distribution list not being up to date and that this would be resolved following Jenny's work (see 11.4). It was agreed the question would be addressed again at a future date.

The CIPFA Conference SDCT Workshop would be progressed.

Action – Angela to thank responders and progress the agenda for the CIPFA Conference workshop.

11.3 Executive Vacancies / Advisor areas

There are currently 11 vacancies. Two formal expressions of interest had been received and had been circulated to the Executive:

1. Peter Catchpole (Fenland)
2. Karen Watling (Norwich)

Both applications were approved by the Executive.

Action – Angela George to notify applicants

A number of further expressions of interest have been received but as yet these have not been translated into the formal application to put before the Executive.

11.4 SDCT Communications – Subscribers, Distribution List and GDPR

Jenny reported that she had now secured the necessary Admin resource to assist with keeping the distribution lists up to date.

Additional Item:

District Benchmarking Meeting – Helen Martin

Following the close of the formal Executive meeting, a number of the Executive received a presentation from Dr Helen Martin who presented her study into the Approach to Benchmarking in English District Councils under Localism. Helen visited 18 councils as part of her study and analysed their approach and appetite for benchmarking. The attitude to benchmarking varied significantly based on past experiences but one of the greatest benefits found from the study was the exchange of information and ideas by having local groups.